

**EVALUATING SANCTIONS ENFORCEMENT AND POL-  
ICY OPTIONS ON NORTH KOREA: ADMINISTRA-  
TION PERSPECTIVES**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON**  
**BANKING, HOUSING, AND URBAN AFFAIRS**  
**UNITED STATES SENATE**  
**ONE HUNDRED FIFTEENTH CONGRESS**

FIRST SESSION

ON

REVIEWING THE CURRENT SANCTIONS AGAINST NORTH KOREA, THE  
EFFECTIVENESS AND ENFORCEMENT OF SANCTIONS AND ASSESSING  
WHAT ADDITIONAL SANCTIONS ACTION, IF ANY, THE UNITED STATES  
SHOULD IMPOSE IN LIGHT OF NORTH KOREA'S CONTINUED MISSILE  
TESTING AND ADVANCING NUCLEAR WEAPONS CAPABILITY

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## **EVALUATING SANCTIONS ENFORCEMENT AND POLICY OPTIONS ON NORTH KOREA: AD- MINISTRATION PERSPECTIVES**

THURSDAY, SEPTEMBER 28, 2017

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The Committee met at 9:30 a.m. in room SD-538, Dirksen Senate Office Building, Hon. Mike Crapo, Chairman of the Committee, presiding.

### **OPENING STATEMENT OF CHAIRMAN MIKE CRAPO**

Chairman CRAPO. Good morning. This hearing will come to order.

Today we are going to proceed a little differently than usual. One of our witnesses, Ms. Thornton, needs to leave by 10:30 in order to join Secretary Tillerson on a trip to China, and we have a vote at 10:30. In order to allow more Senators time to ask their questions, Senator Brown and I have agreed to submit our opening statements for the record, and we have also asked each of our witnesses to shorten their opening statements to just a couple of minutes each so that we can get right to the questions. Obviously, I am also going to ask the Senators to be very careful to follow the 5-minute allocation for their questioning.

Chairman CRAPO. First, we will receive testimony from the Honorable Sigal Mandelker, the Under Secretary of Treasury for Terrorism and Financial Crimes. And following her, we will hear testimony from Ms. Susan Thornton, Acting Assistant Secretary of State for East Asian and Pacific Affairs. And without anything further, let us proceed.

Under Secretary Mandelker, please proceed.

### **STATEMENT OF SIGAL MANDELKER, UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE, DEPARTMENT OF THE TREASURY**

Ms. MANDELKER. Thank you. Chairman Crapo, distinguished Members of the Committee, I am honored to appear before you to discuss the Treasury Department's strategy to combat the provocative, destabilizing, and repressive actions of North Korea.

This Administration is applying maximum economic and diplomatic pressure to counter this threat. Treasury's tools, as you know, are central to this campaign and have become among this Administration's top nonkinetic tools of choice. Today I will share

with you aspects of our strategy which we are executing at a rapid pace.

We are focused on attacking North Korea's key financial vulnerabilities:

First, any revenue that North Korea generates can be used to support, directly or indirectly, its weapons development programs, and so a key part of our strategy is to suffocate North Korea financially by targeting the regime's most profitable industries, including coal, labor, and the sale of weapons and other goods. We have designated dozens of individuals and entities that support these lines of business and are also focused on the shipping networks that enable them.

Second, the regime needs to move funds through the international financial system in order to acquire foreign currency, transfer funds, and pay for goods. And so we are intent on stopping this and on thwarting their ongoing efforts to evade sanctions through front companies and other deceptive means. Last week, the President issued a new Executive order that gives us greater ability and leverage to target foreign banks that support the Kim regime. On Tuesday, we took action on North Korean banks and designated financial facilitators across the globe.

In my first week on the job, we acted for the first time in over a decade against a non-North Korean bank, China-based Bank of Dandong, for facilitating North Korean financial activity through the U.S. financial system. Banks worldwide should take note. Of course, close collaboration with our international partners is critical, and we are working very actively with partners around the globe.

Time is not on our side. We have an incredibly dedicated team at Treasury working around the clock on this urgent problem. Our success in curtailing North Korea's revenue streams and severing its access to financial systems is essential to a peaceful resolution of this growing crisis.

I look forward to working closely with this Committee and other Members of Congress as we seek to fulfill our shared responsibility to keep America safe.

Chairman CRAPO. Thank you.

Ms. Thornton.

**STATEMENT OF SUSAN A. THORNTON, ACTING ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE**

Ms. THORNTON. Thank you very much, Chairman Crapo and distinguished Members of the Committee, for the opportunity to appear before you today to discuss the ever increasing threat that North Korea poses, and I will just make a very brief statement.

Today we face a North Korea that has demonstrated an unwavering determination to achieve an intercontinental ballistic missile capable of delivering a nuclear payload to our homeland. And in the face of this escalating threat, we have the ability to defend ourselves and our allies from any attack, as the President and Secretary of Defense Mattis have made clear. But we also have a clear and aggressive strategy to counter this threat and bring about a diplomatic resolution employing all available levers of economic

and diplomatic pressure on North Korea in order to change the Kim regime's strategic calculus.

Our diplomatic pressure campaign is aimed at bringing the DPRK back to the negotiating table where we hope to achieve an agreement on the denuclearization of North Korea, and we recognize that the success of this pressure strategy will depend on heavy cooperation from our international partners, especially Beijing. We are working closely with China to execute this strategy and are clear-eyed in viewing the progress growing, if uneven, that China has made on this front. Our task now is to hold China and others to these internationally binding obligations and to convince China's leaders to more fully exert their decisive leverage over North Korea.

We do not seek an accelerated reunification of Korea nor an excuse to garrison troops north of the DMZ. What we seek is a peaceful denuclearization of the Korean peninsula and a North Korea that stops belligerent actions and does not threaten the United States and our allies.

We appreciate the strong interest in this issue from Congress, and we look forward to continuing our cooperation.

Thank you for inviting me to testify today. I am pleased to answer any questions you may have.

Chairman CRAPO. Thank you, Ms. Thornton, and I will begin with you. Executive Order 13810, like other authorities before it, empowers Treasury to go after—excuse me, I should probably ask both of you this question—empowers Treasury to go after North Korean facilitators and evaders. Press reports suggest the United Nations was not able to pass stronger sanctions because of the objections of China and Russia.

In your opinion, what must be done to put a hard stop on those who continue to choose to enrich the Kim regime by facilitating illicit transactions with North Korea? Are secondary financial and trade sanctions the answer?

Do you want to go ahead, Ms. Mandelker?

Ms. MANDELKER. Sure. Mr. Chairman, thank you for that question. As you know, we have the ability now in the Executive order to impose secondary sanctions against financial institutions, and we take that new authority very seriously. We believe that the UNSCRs, while they were the strongest measures that have ever been passed by the United Nations, they represent the floor and not the ceiling. And so we have to constantly take additional measures to make sure that they are implemented with full force and that we are holding all countries accountable to cut off any revenue stream that is going to North Korea. And we are doing that and will continue to do so.

Chairman CRAPO. Thank you.

Ms. Thornton, do you want to add anything to that?

Ms. THORNTON. Sure. Thank you. I think what I would say is that we are looking very hard now at implementation. The UNSCRs we have passed have covered a lot of North Korea's export hard-currency-earning trade, and what we are doing now is working very hard to implement—the new Executive order gives us a much greater tool to go ahead and work on implementing and trying to ferret out these illicit underground networks that North

Korea uses that have been much of the lifeblood of their proliferation networks. And so I think implementation is key. We are working with international partners, as the Under Secretary mentioned, and I think continuing a full-court press with those international partners on implementation is going to be the key to really upping the pressure on the Kim regime.

Chairman CRAPO. And just quickly, Ms. Thornton, how successful do you believe we can be in getting that international cooperation?

Ms. THORNTON. Well, what I would tell you is that we have been raising this issue with every single international partner that we have been meeting with, and we have had international partners coming to us and volunteering their own national measures that go beyond the U.N. Security Council resolutions. So what I have seen—and I saw also up at the high-level week at the U.N. in New York last week—is that all countries have been—are seized with this matter. They are looking actively at what more they can do to choke off illicit trade and other kinds of diplomatic presence and labor presence in their countries. So I think we will keep up that pressure, and we need to keep it up. We need to keep a unified international coalition on this. But having countries and our partners raising it with other countries as well has proven to be very effective.

Chairman CRAPO. Thank you.

And, Ms. Mandelker, when the President announced Executive Order 13810, he referenced a Chinese central bank directive sent to other Chinese banks that sounded like the central bank instructed the other banks to cut off new business with North Korea and to wind down existing loans. There is even less known about what will happen to China's current North Korean business or future ability to deposit or transfer DPRK funds.

Can you shed any light on this directive by the Chinese central bank? Basically the question is: Is the policy of China truly changing?

Ms. THORNTON. Thank you, Chairman Crapo. Look, I think that China is sending very deliberate messages to its banks and to other companies in China. There was an announcement today, in fact, that the Chinese commerce department sent an announcement that all North Korean firms and joint ventures with China had to be shut down.

We are working very closely with the Chinese. We think that they are taking this seriously. But we are going to continue to monitor it. We continue to share information with them on actions that we think that they need to take. This is obviously a very serious problem, and the urgency with which China takes it is going to be key to any successful economic pressure campaign.

Chairman CRAPO. Thank you.

Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. I thank you both for testifying and for your service to our country.

I want to dig down a little deeper on the sanctions issues. I will start with you, Ms. Thornton. You have testified that, terms you use, "maximum pressure," "peaceful pressure," "strategic accountability" describe our ongoing U.S. policy toward Pyongyang, that the essential elements of the strategy have not changed to push for



further multilateral sanctions, continue enforcement of U.S. sanctions authorities, improved U.N. sanctions enforcement globally, and urging other nations to cut off, what you said, “normal political relations and trade” with North Korea.”

Are you taking full advantage of the sanctions authorities you have, including those Congress enacted last month? Have we seen concrete, quantifiable outcomes at this point, especially in terms of reduction of Pyongyang’s revenue streams and significant impacts on the regime’s ability to advance its weapons program? For you, Ms. Thornton. Let us start with you.

Ms. THORNTON. So I think we are taking maximum advantage of all of the tools that we have been given, and we are also taking maximum advantage of our diplomacy with countries all around the world. I believe that we have instituted a number of designations. We have had, you know, a series of designations. We have been rolling out sanctions on various entities in China, in other countries. All of these designations target North Korean trade, North Korean entities, North Korean illicit proliferation, and it certainly has had an impact on the ease with which they are able to make transactions. It has cut down on their ability to earn hard currency, and it is having an effect of increasing pressure on the regime.

Senator BROWN. Thank you. This is a question for both of you, and I will start with you, Ms. Mandelker. Many of us here in this body and all of our allies are concerned about the President’s statements about the JCPOA. The President indicates he intends to blow up the Joint Comprehensive Plan of Action, the Iran nuclear agreement. Many argue this will seriously undermine U.S. credibility on nuclear issues with North Korea and others. Are you concerned that the President’s position undermines our diplomatic efforts with North Korea?

Ms. MANDELKER. No, Senator, I am not concerned. I think these are two very different and distinct problems. North Korea needs to understand that we are very serious when it comes to applying our maximum—using our maximum authorities to applying economic pressure. And, frankly, this is an area where the world is coming together. We are seeing the strongest U.N. Security Council resolutions we have ever seen, and we are seeing countries take steps over and above our—

Senator BROWN. That is surely good news, but the world came together on the JCPOA, too. And do the Koreans think that, well, if the United States is going to pull out of this agreement, which clearly is working to keep nuclear—to stop the nuclear program in Iran, why would we have that credibility and why would the world think we have that credibility in your dealings with the Chinese and only the North Koreans?

Ms. MANDELKER. Again, Senator, we are having—I am personally involved in working very closely with our allies in Europe, Japan, South Korea, and elsewhere. And the message that I am hearing is that we are very unified in this effort. We are not equating one issue with the other. I cannot tell you—

Senator BROWN. You are not equating one issue with the other, but don’t our allies see that when we as a Nation renege on one

nuclear agreement, we are not as trustworthy as they thought we were as a Nation for the next round?

Ms. MANDELKER. Again, I cannot tell you what our allies think, but what I can tell you—

Senator BROWN. Well, you just did. You said our allies are all in the same place, and you just told us what they think. Now you are telling us you do not know what they think.

Ms. MANDELKER. What I can tell you is that we are very unified in sending a joint message to North Korea that we are all using our maximum economic pressures and diplomatic pressures to get them to change their behavior.

Senator BROWN. Do you disagree with our allies who all say, virtually every one, that Iran is complying? I know this hearing is not about Iran, but do you agree with our allies when they say that?

Ms. MANDELKER. Senator, I would defer to the IAEA and the State Department with respect to Iran's compliance with the JCPOA.

Senator BROWN. Ms. Thornton, respond to that, if you would. And, also, does it concern you that we are working with the Chinese, as we should, in trying to work to get North Korea to change its policy that our allies, some of our allies question whether we are reneging on something we already did on nuclear weapons just a year and a half, 2 years ago?

Ms. THORNTON. Yes, thank you. I am not the Iran expert, obviously, but I know that we have certified continuation of the JCPOA in the most recent process.

I think on the connection between that and North Korea, the thing that is important to remember is we have been down this road with North Korea several times already and that they have continually undermined, cheated, and disregarded the agreements that we have entered into with them in an attempt to do what we are also attempting to do, obviously, with Iran, which is stop, freeze, and roll back an illegal nuclear program.

So I think what we want to do with North Korea is make it clear that we are not going to go down the road again of being, you know, cheated or fooled, and that we are going to enter into this agreement and expect that they would live up to their side of the bargain. And that is what the maximum pressure campaign is about, to build that kind of pressure and leverage which will convince them that they really need to engage seriously in a discussion about freezing and rolling back their program.

Senator BROWN. OK. Thank you both.

Chairman CRAPO. Thank you. And before we go to Senator Toomey, since more Senators are here, I wanted to make an announcement that I made at the beginning of the hearing, and that is that Ms. Thornton has to leave at 10:30 for a trip with Secretary Tillerson overseas, and we have a vote at 10:30. So Senator Brown and I have both forgone our opening statements, and I am going to ask the Senators to pay very close attention to their time allocation.

Senator Toomey.

Senator TOOMEY. Thanks very much, Mr. Chairman, and thanks to our witnesses.

I want to draw a different parallel with Iran, if I could. But to back up just a second, I do not think anybody questions how grave a threat North Korea poses to us. We have seen a nuclear weapons program for over a decade, a tremendous acceleration in their missile delivery capabilities. This threat is growing, and it seems to be at an accelerating pace. And despite the many sanctions that we have on North Korea, our allies have joined us, the South Korean government reports that North Korea's economy grew at the fastest rate in 17 years last year, and that their GDP managed to expand by 3.9 percent—admittedly off a low level, but they are experiencing economic growth, and it is hard to imagine that they are going to abandon these programs if they are discovering that they have greater prosperity year in and year out.

So I want to commend—the work you guys are doing is terrific. It is really important. I am grateful for it. I agree fully with the Executive order to further pursue sanctions. But we have had witnesses who have reported to us—and I do not think that our current witnesses will disagree. We are not yet at the maximum level of possible sanctions against North Korea.

For instance, we were told at past hearings that there are financial institutions conducting transactions with North Korean entities that are not subject to the secondary sanctions today. Do you both agree with that?

Ms. MANDELKER. Senator, any financial institution would be subject to our authority—

Senator TOOMEY. OK, I understand that, but is it true that there are financial institutions, including Chinese institutions, that are conducting financial transactions and have not had sanctions imposed directly on them?

Ms. MANDELKER. Well, Senator, as you are probably aware, in June we, in fact, took action against one—

Senator TOOMEY. Again, listen, I am in favor of that. I am glad. My point is there are many other institutions that are conducting transactions, and you have acknowledged today that there is one Chinese bank that has had sanctions imposed directly.

So my point in all this is we also have learned, I think, that the mandatory sanctions of the Iran sanctions legislation probably played a big role in bringing Iran to the table. And it is my belief—and I think it is shared by my colleague, the Senator from Maryland, with whom I am working on legislation, and we have been working with Treasury, and we want to continue to work with you on this. But the threat of mandatory sanctions immediately once that legislation passes sends a very, very powerful message to financial institutions. And I think that is the tool that we need. That is the tool that worked with Iran. We have not adopted that yet, and it is my hope that we will, and I welcome your thoughts on it.

Ms. MANDELKER. Senator, of course, we think that having the authority to go after financial institutions is incredibly important. That is why we had the strongest Executive order—the President has just signed the strongest Executive order that we have ever had, which gives us the authority on a going-forward basis to impose secondary sanctions against financial institutions. We think banks are taking note. We are very carefully monitoring their

ongoing activity and behavior, and, look, the safety and security of the American people come first, and we will not hesitate to act where we think that it is warranted.

Senator TOOMEY. I understand that, but having the authority to do something is not the same thing as being required to do something, and the latter simply sends a stronger message.

Now, I think there should be a way for an institution that ceases and desists, for instance, to no longer be subject to sanction, right? I mean, we want to have a mechanism that does not permanently disqualify an institution from U.S. markets if they have ceased and desisted. But my own view is we have not taken the most aggressive steps possible, and this is as serious a threat as I can plausibly imagine.

So I hope you will continue to work with us in this effort. I want to thank my colleague Senator Van Hollen for the great work that he has done on this, and, Mr. Chairman, I think I have come in 30 seconds short.

Chairman CRAPO. Thank you, Senator Toomey.

Senator Reed.

Senator REED. Well, thank you very much. I am tempted to commend the Chairman and the Ranking Member for the best statements they have ever given.

[Laughter.]

Senator REED. Forgive me.

Secretary Thornton, in the past we have used the five-party mechanism with South Korea, Japan, Russia, China, and the United States, and at this point it seems that a lot of the diplomacy is one-off. You go to China and talk to them. Someone presumably is talking to Russia, *et cetera*. Why don't we, if we are really serious about this, convene the five-party talks and show not only strength but concerted effort?

Ms. THORNTON. Yes, thank you. We are convening—I mean, we do not have that specific mechanism invoked, but we are doing a lot in the U.N. Security Council. We are doing a lot with various multilateral partners. We had a very strong statement out of ASEAN at the recent ministerial in October in Manila. We have gotten a lot of different actors to step up and help us with this effort. Certainly, we are doing a lot of consulting with the regional stakeholders, especially our two very strong allies, South Korea and Japan. The President met with them both in a trilateral format last week in New York. But we have also been consulting very closely and had long meetings and had extended discussions with both Russia and China.

I think we are doing as much as we can with those regional stakeholders, but we do not want to be tied to one particular format, and we are certainly open to any formats or opportunities that would put pressure, more pressure on North Korea. And so I think we are open to it. We just have not found it necessary to do it in that format.

Senator REED. Do you concur with Ambassador Haley that the United Nations has exhausted its usefulness?

Ms. THORNTON. Well, I mean, I think she was referring to the issue of UNSCRs that could be passed and increasing the level of sanctions within the UNSCRs. I think we all agree that almost all

of North Korea's external hard-currency-earning trade has been captured in one way or another through U.N. Security Council resolutions. And I think there is probably some more that could be done there, but mostly it has been already incorporated into the UNSCRs we have so far. The main task I see going forward is on implementation.

Senator REED. I concur, and in that regard, Secretary Mandelker, you have lots of authorities, but do you have a list of priorities—I mean, most important is to go after this company, second important is this company, and shipping is the third, *et cetera*? Can you give us that strategy, not just, “We have lots of things we can do”?

Ms. MANDELKER. Yes, Senator. So we are constantly thinking about how we can exercise our authorities to achieve maximum strategic impact. We are looking at the biggest revenue generators to North Korea and taking action against those revenue generators. We are very focused on sanctions evasion. Of course, the reason we have gotten—part of the reason we are in the place that we are today is that North Korea has been incredibly adept at evading our sanctions, and we want to cut that off at the pass. And so we are focusing on high-revenue generators. We are focusing on going after those financial facilitators that they have planted all over the world. We just announced designations of 26 of those this week that were situated in different countries. And, again, always focused on maximum strategic impact.

So just as an example, in August we went after three coal companies that had generated a half a billion dollars' worth of revenue to North Korea, and we designated them to cut them off, again, at the pass so that they can no longer generate that sort of revenue. So, yes, focus on highest-priority impact always.

Senator REED. Those three companies, you have effectively shut them down or you have just indicated to them, “We are going after you”?

Ms. MANDELKER. We have indicated to them that they cannot have access to the U.S. financial system, and we have sent a very strong message that it is our view that no one should be dealing with any company that is continuing to trade with North Korea.

Senator REED. But companies are still dealing with those companies?

Ms. MANDELKER. I cannot tell you in an open setting whether or not companies are still dealing with those companies, but the message is clear. We will go after any company that does trade with North Korea.

Senator REED. I think that is a good message, but, again, I think apropos of some of the comments of my colleagues, you know, specific evidence that it is working—I mean, Senator Toomey mentioned that the growth in their economy was not insubstantial last year. And, you know, we are messaging, we have been messaging for two decades.

Ms. MANDELKER. I agree with you, Senator. Look, that is why in this Administration we are taking the strongest measures we have ever taken. We have had many UNSCRs in the past, and they have not worked. These are the strongest U.N. Security Council resolutions we have ever had. The Executive order that the President

signed last week is the strongest across-the-board Executive order that we have ever had. We are taking this with utmost seriousness, and we are pushing countries all over the world to do the same.

Senator REED. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you.

Senator CORKER.

Senator CORKER. Yes, sir, thank you. Thank you both for being here.

Do we all agree that, in essence, North Korea is a *de facto* nuclear state?

Ms. THORNTON. Sorry. Is that for me?

Ms. MANDELKER. Well, look, we all know what the threats are, Senator, and they have been able to proliferate at an unprecedented pace.

Senator CORKER. I do not want to get into a long debate, but we do agree they are a *de facto* nuclear state. Is that correct?

Ms. THORNTON. I do not think that is the position of the State Department. It involves a number of different technologies, and I do not think that we would be able to say with concrete certainty that that is the case.

Senator CORKER. Well, I am going to state that they are a *de facto* nuclear state. That would be my position.

I applaud the efforts that are underway. I really do. And as you know, I work closely with Secretary Tillerson and others, and, you know, every one of our intelligence agencies tells us, publicly even, that there is no amount of pressure that can be placed on the leader of North Korea to get him to stop. He views this as his ticket to survival, and he is changing the balance in the peninsula. So I applaud the efforts that are underway. I really do.

Is there any course of action, though—we have been doing this now for 25 years. This is the most robust effort that I applaud. But is there anything you see that is changing, possibly changing the dynamic that exists, where they are in the very short term going to have a deliverable to the United States, nuclear weapon, without a change in trajectory? I mean, Tillerson is working against—and I applaud what he is doing, but he is working against the unified view of our intelligence agencies which say there is no amount of pressure that can be put on them to stop. And so I am just asking, is there some dynamic out there that you see is going to overwhelm that unified view and change the trajectory?

Ms. THORNTON. I think that that is the intelligence community's assessment, or at least the assessment of many of them. But I think what we are doing is testing that assessment, and I think what has changed is the sort of growing level of international isolation and pressure, especially from the leading enabler of North Korea up to this point, which is China. And I think we do see China, as the Under Secretary mentioned earlier, policy shifting. We are trying to turn China's position from looking at North Korea as some kind of asset to looking at them as a liability. I think that Secretary Tillerson has made a lot of progress on that front, and so the pressure that is being applied now to the Kim regime is greater than at any time in the past. And we need to test that proposition, I believe. So that is what we—

Senator CORKER. Is denuclearization of the peninsula still the absolute objective?

Ms. THORNTON. Yes.

Senator CORKER. Is it helpful—you know, Congress has taken the lead on many things. There is no question that Congress took the lead for years on Iran. I do not think there is any way, without the pressure of many people in this Committee for a long, long time, and on the Foreign Relations Committee, I do not think there is any way that we would have ever gotten Iran into a place to negotiate. Congress passed some sanctions on Russia recently. Congress passed additional sanctions—the House actually took the lead—on North Korea. I am at the point personally where I wonder whether additional congressional activities is helpful when we are on the brink of something that could become a catastrophe. I applaud all those people who want to play a role, I do, and I am not in any way being pejorative as it relates to that effort. But from your perspective, is it helpful for Congress to pass additional legislation right now? And I know no Administration ever wants Congress to do anything. I got that part. But are there heightened concerns currently about Congress taking additional steps as it relates to sanctions?

Ms. THORNTON. Well, what I would say is that we all want this to be resolved diplomatically and peacefully. We think that this maximum pressure campaign is the last best chance to resolve this peacefully, but what that also means is that eventually we will need to get into some diplomacy, and we will need flexibility when we get to that point. So I think we want to keep in mind that, you know, we want to get to the diplomatic solution, and when we get there, Secretary Tillerson will want to, you know, have space to negotiate.

I think, you know, the Members of Congress I have spoken to, I know many of them travel; many of them are going around the world and talking to people about these issues. I spoke to one last night who was just in Beijing and met with Chinese officials for an hour and a half on North Korea alone. I think that kind of message coming in a unified way from every single Government official in the United States is very helpful, and also we have been telling all of our global partners, coming from all of them.

Senator CORKER. You did not address sanctions. I am trying to—you are avoiding that, and that is fine. But I know my time is up.

Ms. MANDELKER. I would be happy to quickly address—of course, we are grateful for the authorities that Congress has given us, and as I mentioned, the President has also signed the strongest Executive order that we have ever had. I think that it is also incredibly important that we have the ability to remain flexible. We have to move and strike in the use of our economic powers according to what the intelligence is telling us will be the best targets to exact an enormous amount of economic pressure. And when our hands are tied in different ways, it keeps us from being agile in the way that you would want us to be agile in order to maximize that economic pressure. So we would be happy to work—of course, always happy to work with the Congress on legislation. I would just caution taking away our ability to be flexible because it inadvertently could decrease our ability to exert maximum economic pressure.

Chairman CRAPO. Senator Heitkamp.

Senator HEITKAMP. Thank you. I will try to run through this quickly.

Can we be effective in any kind of sanction policy or regime without total cooperation from China? Yes or no.

Ms. MANDELKER. I think total cooperation from China is key. Can we be effective? Absolutely.

Senator HEITKAMP. But I am saying—now I am going to get to the point. Does the U.S. Government and the Chinese Government have identical or at least wildly similar goals in dealing with the Korean peninsula?

Ms. THORNTON. So I think we do have broadly similar goals.

Senator HEITKAMP. What would those be?

Ms. THORNTON. The Chinese Government wants to see a denuclearized Korean peninsula. That is one of their main key objectives. They also want there not to be chaos, war, and war on the Korean peninsula for obvious reasons. It is right on their border. But their main goal for the current process is to denuclearize and rid the Korean peninsula of those programs.

Senator HEITKAMP. If that is true, then why isn't the Chinese Government doing everything that it can to achieve that goal?

Ms. THORNTON. Well, I think that they have done a lot.

Senator HEITKAMP. No. I am talking about, you know, full-on maximum effort, maximum restrictions on trade, maximum restrictions on doing business with North Korea. If that is true, then why hasn't the Chinese Government exerted the kind of authority and force on a diplomatic and on a sanction regime that would achieve that result?

Ms. THORNTON. It is hard for me to get exactly to inside what their policy process is and what they are thinking, but what I would say is that the calculus that they have about the line between war and chaos and getting to denuclearization might be slightly different than the line that we have, and that they seem to prioritize very much the, you know—the economy of North Korea is dependent on China, and so they have said that they want to make sure that the people of North Korea are not adversely affected. And, of course, we do not want that either, but they seem to have a different calculation about that, is how I would—

Senator HEITKAMP. I think that is the ultimate challenge here going forward, which is finding parallel purpose with the Chinese in achieving this result and having a coalition of, you know, extreme willingness to actually do everything that we can to achieve that result. And short of that, I guess, Secretary, short of that kind of collaboration and cooperation, how is this going to work to actually change behavior in North Korea?

Ms. MANDELKER. Senator, of course, we are intent on working very closely with the Chinese to make sure that they are likewise maximizing economic pressure. We are in very regular discussions with them. We have seen some recent steps that they have taken that suggest that they are increasing the economic pressure that is going to be brought to bear, but we are monitoring it very, very carefully. And I think the authorities that we now have and the Executive order also send the message that if countries—any



country does not take this as seriously as we think that they should, then we will not hesitate to act.

So it is partially working closely, coordinating carefully, collaborating, as we are doing, but also sending the message that the President has sent, that Secretary Mnuchin has sent, that we are constantly sending, that where we think it is warranted, we are going to continue to up the pressure that that strategy—

Senator HEITKAMP. If the Chinese Government did everything possible economically, with sanctions, with trade, with relationships, would it effectively achieve a deterrence from further progression in North Korea to acquire a nuclear weapon?

Ms. MANDELKER. Well, Senator, that is the strategy. Time will tell. What we are trying to do is change the strategic calculus of North Korea, and we have to do that in concert with all of our partners around the globe. I cannot tell you that it is going to change the calculus, but I can tell you that that is our ultimate objective: to achieve a denuclearized peninsula by changing that calculus.

Senator HEITKAMP. And you believe that is the Chinese ultimate objective?

Ms. MANDELKER. I cannot speak for the Chinese. I can just tell you that they are working intently with us on this urgent matter. Chairman CRAPO. Thank you.

Senator Scott.

Senator SCOTT. Thank you. Thank you both for being here this morning.

In 1994, we struck the Agreed Framework with North Korea with the goal of eliminating the regime's nuclear ambitions.

In 2000, President Clinton relaxed the sanctions under the assumption that North Korea was upholding its end of the bargain.

In 2005, the United States, China, Japan, North Korea, Russia, and South Korea put out a joint statement celebrating North Korea agreeing to abandon its nuclear weapons program again.

In 2006, North Korea tested its first nuclear weapon. Since then, North Korea has conducted five more nuclear weapon tests and dozens of ballistic missile flight tests, threatening American targets.

I will ask you both: If a denuclearization agreement is reached, how can we ensure that the Kim regime does not fool us again like they have over the last couple decades?

Ms. MANDELKER. Senator, I agree with you that that is the challenge. We are going to have to—if an agreement is reached, we are going to have to very carefully hold them to account. We cannot get to the same place—the place that we are in today. And, again, we would maximize the pressure that we have put on in a calibrated way to avoid the perilous situation that we are in today.

Senator SCOTT. Care to comment?

Ms. THORNTON. Yeah, I think what we would have to do is make sure that we have the entire international community on board for the enforcement of the agreement, and it is very clear what the stipulations are in the enforcement, that we have inspectors in, it would be an intrusive inspection regime. And we would have to lay all of that out in the process of getting to that agreement.

Senator SCOTT. Senator Heitkamp started to talk about the Chinese influence on North Korea, and my last question goes in that

direction. The President's recent Executive order allowed Treasury and State to impose secondary sanctions on financial institutions who continue to do business with North Korea. But the President gave your Departments discretion as to how to implement such measures and who to go after. That latitude you have been given is a deterrent to North Korea's enablers. Case in point: The same day the Executive order was announced, the People's Bank of China told financial institutions to wind down their books of business with North Korean clients.

I have previously made the point that our deep economic interdependence with China hurts our ability to incentivize them to take action. Did the simple threat of secondary sanctions bring about the bank's announcement?

Ms. MANDELKER. Senator, I cannot tell you what has motivated the Chinese, the various announcements that we have seen from the Chinese. I can only tell you that, again, we are continuing to work with them and to put pressure on them to take the steps that they need to take. And I think that the Executive order sends a very important and careful message, that if we see continued evasion of our sanctions regimes, if we see banks not complying with their obligations to restrict this kind of activity, we will not hesitate to act. That in and of itself should be sending a very clear message to banks around the world.

Senator SCOTT. Anything else?

[No response.]

Senator SCOTT. Good. Have the Chinese—this is, of course, in your opinion. I know that you cannot tell me what the Chinese think. I have heard you say that a couple of times. But my question is: Do you think the Chinese have come to a similar conclusion about the interdependence of their economic future on America?

Ms. THORNTON. So you mean are they concluding because of the interdependence that they can stop short of fully implementing the sanctions?

Senator SCOTT. I mean the reverse of it. If they send \$700 to \$800 billion of goods to America—

Ms. THORNTON. They need to comply.

Senator SCOTT.—part of their challenge is that they have a lot to lose if we shut down.

Ms. THORNTON. Sure, I think that is right. I think they care a lot about the relationship with the United States. They are very concerned about what is going on in North Korea and very concerned about what it implies for their picture, the strategic security picture in the region, and for them for their own national security. And I think they also are determined to comply with the international sanctions regime that they voted for in the United Nations, and they have said over and over again that they will strictly implement the sanctions. And I think they care about being seen as strictly implementing the sanctions, and so that is where I think a lot of their recent efforts and initiatives have come from in concert with that.

Senator SCOTT. It certainly seems to me if compliance of the North Korean regime flows through the actions of China, we should spend as much time delving into the relationship that we have

with China to make sure that we do everything possible to control North Korea through that medium.

Thank you.

Chairman CRAPO. Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman. And I want to thank you both for being here.

Secretary Mandelker, I was wondering if you have met with Adam Szubin yet.

Ms. MANDELKER. I have met with Adam a number of times, yes.

Senator DONNELLY. I would recommend to you that you stay in contact with him, that you stay in touch with him. He has worked this side of the street for a long, long time. He is extraordinarily talented, worked for both Republican and Democratic administrations, and is a patriot above all. And so whenever I have somebody who can help me as a resource, I try to use them. He would be a great resource for you to use.

Senator Sasse and I held a Subcommittee hearing on this subject in May. One of the key findings was that our sanctions efforts cannot be effective unless they are within a clear, comprehensive strategy. And, Ms. Thornton, in your written testimony to the House Foreign Affairs Committee on September 12th, you wrote in regard to the Administration's strategy on North Korea, "We are not seeking regime change or collapse, nor do we seek an accelerated reunification of Korea or an excuse to send troops north of the DMZ."

My question is that this week there was a statement from the Commander in Chief that the North Korean regime will not be around much longer. How do we put those two things together? And how do we create a strategy when there appears to be two different programs rolling around here?

Ms. THORNTON. Thank you very much, Senator. So I think our strategy has a primary goal of denuclearization, and that is what we are working toward. The President's comments have been directed more at the issue of threats emanating from North Korea to our homeland and what would be our very reasonable and likely response to an attack from North Korea. So I think these two things are a little bit different, and I do not think that the clear statements that we are trying to make in order to make sure that the North Koreans understand what would happen if they made a miscalculation and initiated an attack on us or our allies, I do not think that that undermines our declarative statement of our purpose in the negotiations and in the diplomatic process of being aimed at denuclearization and not the other things that you mentioned.

Senator DONNELLY. Secretary Mandelker, are sanctions efforts undermined if they do not follow with a clear message as to what we are trying to achieve? Are we making that clear message to everybody?

Ms. MANDELKER. Yes, Senator, I believe we are making that clear message.

Senator DONNELLY. OK. Well, then let me ask you in regards to oil exports from China to North Korea, where are we with that? What are our success opportunities with that? Will it be completely cut off and when?

Ms. MANDELKER. Well, that is in part up to the Chinese, but we are also, again, sending a message, writ large, that we will cut off—or we are able and have the authority to target any company that is continuing to trade with North Korea in any industry. So that message is coming clear from the United States.

Senator DONNELLY. Isn't the oil exports the key sanction that is needed to get the attention of Kim Jong-Un to grind their economy up to actually make a dent?

Ms. MANDELKER. I think the oil exports certainly are very important, and, again, we are not limited in our ability to target any oil company that is continuing to do business.

Senator DONNELLY. I understand that, but the oil continues to flow, doesn't it?

Ms. MANDELKER. It does continue—my understanding is that it does continue to flow, and I believe that it should stop.

Senator DONNELLY. And what are the plans over the next 5 months to dry that up completely?

Ms. MANDELKER. Senator, I am not going to prognosticate what our next steps are going to be. All options are on the table, and we are going to continue to aggressively implement our sanctions regimes. We are going to continue to deploy other economic tools that we have. We are going to continue to engage very seriously with our allies and our partners. We are going to continue to have discussions with China about measures that we think that they should take.

We are also sending, as you know, an important message to financial institutions that they need to cut off any activity, ongoing financial activity with North Korea. And to that end, we are also having conversations with banks around the world about steps that we think that they need to—

Senator DONNELLY. Let me ask you about the four or five biggest banks in China. We have been able to obtain parts from some of the North Korean missiles. We know who makes some of those parts. We know the banks that finance the companies that make those parts that are on the missiles that are aimed at our friends and allies. We know the five most significant Chinese banks that are the parent banks or banks with relationships to these other banks. What are we doing to those five banks to put pressure on them to make sure that these parts are no longer built?

Ms. MANDELKER. So, Senator, again, I am not going to prognosticate the next steps that we are going to take. In terms of specific actions—

Senator DONNELLY. Well, what steps have you taken with those five Chinese banks?

Ms. MANDELKER. As a general matter, the steps that we have taken are sending a very important signal through our action in June and now through this new Executive order that we are not going to tolerate continued financial activity that helps the Kim regime, and we are—

Senator DONNELLY. Have any sanctions been put on those banks?

Ms. MANDELKER. Not on those banks, Senator. Not at this time.

Senator DONNELLY. Thank you.

Thank you, Mr. Chairman.

Senator BROWN. [Presiding.] Senator Cotton.

Senator COTTON. Ms. Mandelker, I have seen a report recently that says North Korea is the fourth or fifth most sanctioned nation in the world by the United States. Is that accurate?

Ms. MANDELKER. I cannot give you a comparative, Senator Cotton, but at this time we have—we, the United States, have maximum authorities to go after any problematic behavior or activity, economic activity with North Korea.

Senator COTTON. Is there any reason why we should not throw the kitchen sink at them economically, hit them with as much as we can, as fast as we can, as hard as we can?

Ms. MANDELKER. That is exactly what we are doing.

Senator COTTON. OK. Ms. Thornton, I want to turn to something you said earlier that I am going to have to disagree with, and I think it is a fundamental disagreement, and it reminds me of what Yogi Berra said: "If you do not know where you are going, you might not get there." You said that you believe that China seeks denuclearization of the peninsula. I know that is what Chinese mouthpieces say to the United States and Western audiences, but I just cannot agree with it. They claim that, you know, they are worried about a war that would lead to a refugee crisis on their border or a unified pro-American Korean peninsula.

I just find this reasoning to be specious. Refugee crisis? Say what you will about our country, I am pretty sure that the Chinese Government can build a wall on their border. And they have proven that they have a backup method to deal with a refugee crisis as well, tanks and .50 cal's like they used at Tiananmen Square.

Second, if they were really worried about a refugee crisis or a pro-American unified state on their border, aren't there numerous diplomatic measures they could take? I am pretty sure that the United States would agree to no forced reunification, as we did with East Germany and West Germany after 1989. I am pretty sure that we would agree to no troops north of the current DMZ, that we would work with the United Nations High Commissioner on Refugees to set up refugee camps supported by the United Nations inside of North Korea.

And then, finally, just look at China's actions. You know, they blocked us from imposing those oil export sanctions at the United Nations Security Council a couple weeks ago. North Korea's economy has grown over the last 6 months. Trade with North Korea was up earlier this year.

So all of these things suggest to me that when China says they want a denuclearized North Korea, they are misrepresenting their intentions, because what would be the consequences for them if that were the case? North Korea would become like an isolated, weird, Stalinist state the way East Germany or Romania was in the cold war, but they would not pose any real threat to the United States or to our allies in the region.

And what would we be having hearings about? We would be having hearings about Chinese economic warfare and espionage against the United States. The Armed Services Committee would be having hearings about China's building and militarizing islands in the South China Sea. The Senate Foreign Relations Committee

might be having hearings about their near diplomatic embargo on Taiwan.

So I would say that it actually benefits China strategically in their competition against the United States that North Korea remain nuclearized, and, therefore, they are not going to take steps to denuclearize North Korea unless the costs of keeping a nuclear North Korea exceed the benefits they get from it. That is my perspective on what China's motivations are here. I would like to hear your perspective on mine.

Ms. THORNTON. So I think where I probably would not share exactly your assessment is what the Chinese assessment is of the security implications for them of a continued nuclear program in North Korea. They are very clear that would there be a nuclear state in North Korea, there would be nuclear proliferation in the region on their border, and that there would likely be a catastrophic acceleration in the breakdown of the nuclear nonproliferation regime around the globe, and that that has far-reaching security implications for them. So I think that is probably the place where I would have the most difference with the assessment that you mentioned.

Senator COTTON. I agree that from a Beijing standpoint a nuclear Japan or a nuclear South Korea, both of which could probably achieve that aim in a year, maybe 2 years at most, would be detrimental to their interests. But if that is the case, why are they not doing the kinds of things that I just outlined? Why do they make us water down the Security Council sanctions? Why are they not seeking the kind of diplomatic agreements with the United States that would allay their concerns in advance of any effort to denuclearize, by force if necessary, North Korea?

Ms. THORNTON. Well, I think we have seen them adopt the most far-reaching U.N. Security Council resolutions that we have ever seen in the quickest amount of time that we have ever seen. I think it is a reflection of their growing concern. I think they change slowly, and they are getting increasingly concerned about the behavior out of North Korea and about the—and they are increasingly—it is becoming clear to them the implications for them, which they had maybe not fathomed clearly enough earlier.

Senator COTTON. My time is up. Thank you for the testimony. I would just say, though, the consensus in Washington is that China is a partner in this issue. I do not think that is the case. They are a strategic competitor, and I believe they see the current status quo as benefiting their interests as opposed to a denuclearized North Korea, and I think that our Committee needs to take that into account as we are crafting any sanctions measures to bring more coercive pressure onto Beijing.

Chairman CRAPO. [Presiding.] Thank you.

Senator Schatz.

Senator SCHATZ. Thank you very much.

Ms. Thornton—and I know you have to go at 10:30, so if I am still talking, I will not be offended. First of all, what is U.S. policy with respect to the Korean peninsula specifically? You say the primary goal is denuclearization. That is U.S. policy?

Ms. THORNTON. Yes.

Senator SCHATZ. OK. When you say primary goal, does that indicate—should we infer from that that there is a secondary goal?

Ms. THORNTON. No. I mean, I think that is our overarching goal in our current strategy that we are bringing the maximum pressure to achieve.

Senator SCHATZ. So following up on what the Chairman of the Foreign Relations Committee said, that the intelligence community's assessment is that that is vanishingly unlikely—and I understand that you have to do what you have to do, and we appreciate it. But understanding that here we are with a State Department representative and a Treasury representative, and you are all in your own way doing that which is strategically necessary in your own lane. And yet we have an objective that may not be achievable at all.

So I guess the question is: Are there short-term objectives—setting aside that goal and whether or not we are going to argue about the extent to which it is realistic to denuclearize the peninsula, do we have a short-term objective that we are trying to achieve here?

Ms. THORNTON. Well, I think the objective is to change the calculus of the regime about their nuclear weapons program and, indeed, show them that the cost of that program is unbearably high and that they will not be able to maintain it.

Senator SCHATZ. But that sounds like a long-term objective, and I guess it goes to my second question, which is: Is it fair to say we are in a crisis situation right now?

Ms. THORNTON. Well, I think almost every high-level official in the U.S. Government has noted North Korea as our most urgent and compelling national security challenge. So, you know, it has been said that the timetable that North Korea is moving on to develop its weapons program is much more rapid than we had foreseen, and that, you know, we are working as fast as we can and as intensively as we can to get sanctions regimes put in place and implemented. That is why we have this global pressure campaign. That is why we are engaging everybody in the world—

Senator SCHATZ. And I want to be respectful of your time, but those all still do not sound like crisis management enterprises. Those sound like—I am with you on the strategic objective of getting Kim Jong-Un to change his calculus. But I do not see that happening in the next 3 to 6 months or even in the next, you know, 6 to 18 months, and yet we are in a crisis right now.

So the question is: Is the State Department, the Department of Defense, the White House, the National Security Council in a crisis management mode which integrates that which we are doing for our long-term objectives, which, by the way, our intelligence community is now saying may not even be realistic? And the question becomes: We have these long-term objectives which have, call it, a 30-percent chance of success, many say zero. But whatever that percentage chance is, they have some low likelihood of success. But they also may have the unintended consequence of escalating the short-term crisis. And so I think we need to know what we are up to right now, which is that all of this sounds good and, to Chairman Corker's point, it is incredibly politically satisfying for us to criticize China and to pass new sanctions and to do our oversight.

But if we are in a crisis and the U.S. Government's policy is to do something that most people think we cannot do, then I think we are in a dangerous situation. And you compound that with the fact that you basically have three levers: you have the sanctions, which I think you are doing an incredibly effective job with; you have readiness; and then you have diplomacy.

But then you have this Commander in Chief who uses belligerent rhetoric. And I do not want to ask you to comment on that because you work in the Administration, but it has to be recognized that your strategy may work in another time with another President. But to the extent that you have coercive diplomacy and you have got bombers flying across to send, I think appropriately, the signal that we would be ready for any contingency, it is viewed differently if that is concurrent with a threat via Twitter that we are going to wipe them off the map. I mean, we cannot view our strategy as separate and apart from what the President of the United States says. And I just ask you to consider the possibility that we are in a crisis and that the Commander in Chief says things that are not irrelevant to what we have to do.

My time is up. Thank you.

Chairman CRAPO. Thank you. And, Ms. Thornton, Senator Warren has asked if you could stay 3 minutes, and she promised to stick to 3 minutes.

Senator WARREN. I promise.

Chairman CRAPO. All right.

Senator WARREN. Thank you. I appreciate your doing that. And thank you, Mr. Chairman.

Now, President Trump has made the North Korean nuclear crisis worse by threatening fire and fury, by vowing to totally destroy the regime, and by engaging in name calling with an unstable leader in North Korea.

The President is struggling to deal with North Korea, which already has nuclear weapons and is advancing its capabilities. But he is also about to create another crisis by suggesting that he may not certify to Congress by the October 15th deadline that Iran is complying with the nuclear agreement, which so far has prevented Iran from getting a nuclear weapon.

Now, the President has already certified twice that Iran is complying with this deal, and if he fails to certify again next month, then he could blow up the agreement and Iran may restart development of a nuclear weapon. I get it. Iran supports terrorism, engages in human rights abuses, works to develop ballistic missiles. But I think it is easier to counter Iran's destabilizing behavior if it has no nuclear weapon than it would be if Iran had a nuclear weapon.

So, Ms. Thornton, if the United States causes the Iran nuclear deal to fall apart, would it make it easier or harder for us to resolve the North Korea nuclear crisis through diplomacy?

Ms. THORNTON. Well, I do not really want to speculate on a hypothetical, but I do think that it is very important to hold countries with which we have agreements to account for the implementation of those agreements. And in the case of North Korea and in the case of past agreements we have had with North Korea, we have



seen that these agreements have been undercut by North Korean—

Senator WARREN. Well, I understand you are concerned about their undercutting. The question is about our undercutting. So far, the Iranian nuclear deal is working, and my question is: If we blow that up, does it make it harder to get to an agreement that the North Koreans could believe in if we try to negotiate with them?

Ms. THORNTON. Well, our objective here is denuclearization with the North Koreans. We know that they are engaged in a lot of other nefarious behavior that is concerning. But I think what we would want to focus on is that the agreement covers all of the provisions needed to stop nuclear—

Senator WARREN. OK, but I am asking about the relevance of blowing up the Iran deal on trying to get a diplomatic solution with Korea.

Ms. THORNTON. I know that there is speculation about what is going to happen with the Iran deal, and I am not the Iran person, but we have—of course, the Secretary has certified compliance the last two times. So I cannot get inside the head of the North Koreans and tell you how they look at it, but—

Senator WARREN. OK. I will just quit, because I promised I would, by quoting Adam Szubin, who said:

Great nations do not play games when it comes to their international agreements. Doing so would be especially short-sighted when we are trying to convince the world to join us in a North Korea sanctions campaign whose stated objective is nuclear diplomacy.

I think he is right, and I think President Trump would be wise to take his advice.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you. And, Ms. Thornton, you are excused.

Ms. THORNTON. Thank you.

Chairman CRAPO. And thank you for making the effort to be here today when you had this problem come up.

Senator BROWN. Thank you, Ms. Thornton.

Chairman CRAPO. Senator Van Hollen.

Senator VAN HOLLEN. Thank you. Thank you, Mr. Chairman.

Senator Corker indicated in his questions that Administrations, whether they are Republican or Democratic administrations, prefer for Congress to give them the maximum authority but also the maximum flexibility. In fact, back in 2009, when Congress was considering the Iran sanctions legislation, the Obama administration indicated, "The problem with congressional measures is that you cannot turn them on and off as you like." Similar to the response that you provided to Senator Corker.

The Congress, nevertheless, on a bipartisan basis went on to pass the Iran sanctions legislation, and as Senator Toomey said, I think there is strong bipartisan consensus here in Congress and also ultimately in the executive branch, that those congressional sanctions backed up by the President's signature are what brought Iran to the negotiating table.

Do you agree with that?

Ms. MANDELKER. Senator, I think it was the full range of authorities, from the executive branch and the Congress, that brought

Iran to the table. And, of course, we welcome working closely with the Congress on these critical issues.

Senator VAN HOLLEN. Right, but the distinction that you have made many times this morning, as did Secretary Thornton, is between authority and implementation. And you both indicated that enforcement and implementation is the key right here, and the question is whether we are fully implementing those powers. And the purpose of having sanctions like the Iran sanctions legislation is to make sure there is a constant driver there.

Have you had a chance to look at the U.N. Experts' report from both February and then the interim report that lists a whole bunch of Chinese firms and banks and from other countries that they assess to be violating the U.N. sanctions? Have you seen that?

Ms. MANDELKER. I have seen the Panel of Expert reports, and we have taken some action based on those reports. But the importance for us is that we have the ability to remain agile so that the Treasury Department can deploy our economic authorities and tools in a way that is going to maximize our strategic—

Senator VAN HOLLEN. Look, I understand. I mean, it is another version of, "We want a lot of authority with maximum flexibility." But I think the question is whether we need to do more. I think that it was premature of President Trump to sort of heap some congratulations on President Xi. I understand we want the Chinese to work with us. As Secretary Thornton indicated, they have been, and I am quoting here, "the leading enabler of North Korea." And as of today, there are a whole lot of Chinese banks or firms that we believe are continuing to violate the sanctions.

Why aren't you naming those banks? Why aren't you identifying them publicly? Even if you are not taking action against them now, isn't there a benefit in publicly shaming those banks that are engaged in that kind of activity?

Ms. MANDELKER. So, Senator, in June, of course, we did name the Bank of Dandong which we thought was a gateway of funding that was going to North Korea. We are very actively monitoring the activity of the banks. We have this forward-looking authority to allow us to impose secondary sanctions. We take that authority very seriously. And we will continue to deploy our economic tools in the way that we think enables us to—

Senator VAN HOLLEN. Mr. Chairman, I—

Ms. MANDELKER.—maximize economic pressure.

Senator VAN HOLLEN. I appreciate that. The Executive order could have been issued day one of this Administration. I mean, there is nothing that would have stopped you from doing that.

If I could, Mr. Chairman, put in the record the full list of the entities that were identified in the interim report of the U.N. Panel of Experts that continue to evade sanctions?

Chairman CRAPO. Without objection.

Senator VAN HOLLEN. All right.

The Bank of Dandong is one—right?—and they have got over 58 here. There are others that I know that you have targeted. But the point is if we are serious about getting China to work with us and cooperate, we have got to increase the leverage. And I understand the desire for maximum authority combined with maximum flexibility from the Congress. But I also think on a bipartisan basis

most people agree that it was ultimately the sanctions legislation that sent a message that we are very serious about making sure that we implement these sanctions going forward.

So I believe that there is a lot more we can do. This is why Senator Toomey and I have introduced legislation really patterned after the Iran sanctions legislation, and hope, Mr. Chairman and Ranking Member, we can move in that direction. Thank you.

Chairman CRAPO. Thank you.

Senator Cortez Masto.

Senator CORTEZ MASTO. Good to see you again.

Ms. MANDELKER. Good to see you.

Senator CORTEZ MASTO. I noticed it seemed like when Senator Schatz was talking with you and kind of giving his perspectives, you wanted to respond. I am going to open it up to let you respond.

Ms. MANDELKER. Thank you. I think Senator Schatz was asking what are our short-term and long-term objectives. One of our short-term objectives, of course, is to cut off all revenue streams to North Korea to keep it from having the ability to continue to fund its WMD programs, and that is what we are constantly intent on doing, whether it is deploying our sanctions effectively, going after the revenue streams, or mapping out their efforts to evade sanctions, understanding how they use front companies, financial facilitators around the world. And we are tactically deploying those authorities and tools and using our intelligence in a way that will provide maximum strategic impact. That was what I was going to continue to say. Thank you.

Senator CORTEZ MASTO. Thank you. So this is one of many hearings we have had, and thank you very much to the Chair and Ranking Member. During those hearings some have argued that imposing secondary sanctions on entities doing business with North Korea could cause the North Korean regime to collapse. Do you have concerns that imposing secondary sanctions could cause that collapse?

Ms. MANDELKER. What we want to do is change their strategic calculus. We are not seeking a collapse. We are changing strategic—the change in their strategic calculus so that they stop escalating in the way that they have been escalating, and that we ultimately achieve a denuclearized peninsula.

Senator CORTEZ MASTO. And so you have talked about the President's Executive order which gives Treasury the authority to impose secondary sanctions. Have you imposed any sanctions, secondary sanctions, pursuant to that Executive order?

Ms. MANDELKER. The Executive order, of course, was just signed last week. It is a going-forward—that particular section is a going-forward authority, and we are going to continue to monitor what the banks are doing very carefully.

Senator CORTEZ MASTO. So you have to date, and do you intend to in the near future?

Ms. MANDELKER. Well, I am not going to—what I will tell you is all options are on the table. I am not going to prognosticate what future actions we might take.

Senator CORTEZ MASTO. OK. And then just recently, as we know—and we had talked about it here—the Chinese Government issued a directive to Chinese banks on September 21st directing

them to stop certain financial transactions with North Korean businesses. Do you have a copy of that directive? Do you know specifically what is in that directive? Or can you share that with us?

Ms. MANDELKER. I do not have a copy of the directive.

Senator CORTEZ MASTO. You have not seen it? Do you intend to get a copy of the directive?

Ms. MANDELKER. If the Chinese would share it, of course, I would like to get a copy. But I do not have a copy of the directive.

Senator CORTEZ MASTO. OK. Thank you very much. I appreciate your being here.

Chairman CRAPO. Thank you.

Senator WARNER.

Senator WARNER. Thank you, Mr. Chairman. Secretary, it is good to see you again. It has been a while.

Ms. MANDELKER. Good to see you.

Senator WARNER. I think you hear a lot of frustration, and, obviously, I am—I will not officially comment, but what Senator Corker said, where there may be a contradiction between the conclusions of the intelligence community and what the Secretary of State is trying to do is really—it is a really thorny issue, and, Mr. Chairman, we may want at some point to get a classified brief for the Members of the Committee, because, sitting on the Intel Committee, some of the conclusions are fairly chilling.

To Senator Cortez Masto, you said you have not seen the Chinese order, but in terms of your view of it, are there any gaps, any visible gaps or holes in the Chinese new restrictions toward the North Koreans?

Ms. MANDELKER. Again, Senator, I have not seen the order. They did issue an announcement today that they are shutting down all North Korean firms and joint ventures with China. I think that is a welcome step. We are working very closely with the Chinese, and to the extent that there are gaps—and, of course, as I have also mentioned, we think the UNSCR is a floor, not the ceiling, and it is incredibly important that they take maximum efforts to enforce their obligations.

Senator WARNER. We have seen testimony in this Committee and elsewhere that the North Koreans are pretty good about using front companies.

Ms. MANDELKER. Yes.

Senator WARNER. And in terms of our cooperation with the Chinese at this point, how good are our efforts at ferreting out those front companies so that we can really get at North Korean sources?

Ms. MANDELKER. So we are constantly working with the intelligence community and with our financial institutions to map out, detect, and cut off those front companies. It is something that we are very, very focused on. We have been able to identify certain front companies.

This week, in fact, we designated 26 financial facilitators, North Korean financial facilitators that are around the globe, to send a very—and these are financial facilitators who have become experts in how to set up those kinds of front companies. So we are sending a message that nobody should be doing business with them. We are also sharing various typologies with our banks to make sure that they understand precisely what they should be looking out for to

ensure that front companies are not abusing the international financial system.

So our efforts are increasing. We are working very closely with the intelligence community, as I mentioned, with our banks, we have—but we have to continue to escalate.

Senator WARNER. I hope you will keep the Committee abreast of that, and, again, I think—

Ms. MANDELKER. We would be happy to do so.

Senator WARNER.—it is a scenario where we ought to collaborate with the Intel Committee.

I guess the final point, and let me echo some of the comments made on this side of the aisle. I have been concerned with the tenor of some of the President's comments. The back-and-forth, you know, insult attacks do not make our Nation safer and, frankly, I think it decreased the amount of international support that the sanctions regime would have. But I would also acknowledge that this is not a problem that, you know, suddenly emerged upon the stage just with the beginning of the Trump administration. I think there are many Administrations going back, Democrat and Republican alike, where this issue has not had a high enough focus, and now we are reaping those results.

And I guess what I wonder is, you know, even presuming that we now have a fresh approach from the Chinese, we are ratcheting back. I look forward to joining bipartisan legislation to even increase congressional sanctions. Kim Jong-Un has got a history of not exactly succumbing to international pressure or sanctions. He has not got a long record of—he is willing to put his people through enormous challenges to maintain his control.

Do we have any sense at all that we are going to have the time for these sanctions to actually have real effect versus the pretty remarkable progress he has made on the nuclear front?

Ms. MANDELKER. Well, Senator, I think what you are seeing now on the international stage, and I am seeing it in my conversations with my partners around the globe—and, frankly, the President has been having very constructive dialogue with our allies—is a unity of purpose. We have never had the UNSCRs that were passed in succession in August and then in September. It is going to be critical to be successful to have wide-scale implementation of those sanctions, and we also think that countries need to go over and above the obligations that are, in fact, in those sanctions.

I think that economic pressure and diplomatic pressure, those are the tools that we want to deploy to achieve the change in strategic calculus that we are trying to achieve. And we are putting our maximum efforts and resources to do so.

Senator WARNER. I think we have made progress. I just worry, Mr. Chairman, that this—it would have been great if we would have done this, pick your number—2 years, 5 years, 10 years ago. Thank you, Madam Secretary.

Ms. MANDELKER. Thank you.

Chairman CRAPO. Thank you, Senator Warner. And that concludes our questioning. We actually just had the vote called, so that turns out that the timing worked out pretty well for the hearing as well.

Ms. Mandelker, I want to thank you again for coming before us again, and as many of the Senators indicated, thank you for the great work that you are doing. And in her absence, I want to thank Susan Thornton as well for the work that is going on at State. So State and Treasury, we do deeply appreciate your work here.

We would like to inform Senators that their questions—and there will be further questions, I am sure, that we would ask you to respond to in writing—that they submit those questions within 1 week, and we would ask, because we are working on a timeframe here for the legislation we are reviewing, that you respond within 1 week as well.

Senator BROWN. And if I could add, Ms. Mandelker, the Ranking Members of the appropriate committees that worked on the Iran issue, on the JCPOA, have sent a letter to the Secretary of the Treasury, the Secretary of Defense, and the Secretary of State asking if there is, in fact, evidence of noncompliance with the Iranians with the agreement, that you let us know what it is specifically, and I renew that request for you to share with the Treasury Secretary and with the other two. And the deadline, we asked for that answer by early October, so I would like you to follow up with that with us, please.

Ms. MANDELKER. Thank you. I would be happy to do so. And thank you for the hearing and our continued partnership.

Chairman CRAPO. Thank you. If there is nothing further, then this hearing is adjourned.

[Whereupon, at 10:50 a.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

**PREPARED STATEMENT OF SIGAL MANDELKER**

UNDER SECRETARY FOR TERRORISM AND FINANCIAL INTELLIGENCE, DEPARTMENT OF  
THE TREASURY

SEPTEMBER 28, 2017

**Opening**

Chairman Crapo, Ranking Member Brown, and distinguished Members of this Committee, as the Under Secretary for Treasury's Office of Terrorism and Financial Intelligence, I am honored to appear before you to discuss the Treasury Department's strategy to combat one of the gravest national security threats we face today: the provocative, destabilizing, and repressive actions of North Korea.

Just this year, North Korea has conducted a nuclear test and multiple ballistic missile tests, including two intercontinental ballistic missile (ICBM) tests and two missile launches that overflew Japan. Kim Jong Un continues to utter threats against American cities and territories and those of our allies. We are determined to constrain Kim Jong Un's capacity to act on such threats in the future. We must not allow North Korea to extort the United States and our allies with its nuclear and missile programs.

The Administration is applying maximum economic and diplomatic pressure to counter this threat. Treasury's tools are central to this campaign and have become among this Administration's top nonkinetic tools of choice. We have the unique ability to map out and target North Korea's trade and financial networks. We are doing so at an unprecedented pace by executing a comprehensive campaign designed to impose maximum pressure on North Korea's finances and economy. Today, I will share aspects of our strategy.

Under the leadership of Secretary Mnuchin, my mandate is to make sure that we are strategically and smartly deploying all of our economic authorities—including sanctions, anti-money laundering (AML) measures, enforcement actions, actions under Section 311 of the USA PATRIOT Act, foreign engagement, private sector partnerships, among other tools—to identify and disrupt the regime's ability to generate revenue and move funds in support of its weapons programs. I have directed each component within the Office of Terrorism and Financial Intelligence to prioritize the North Korea threat; to be innovative and strategic in our approach; to assess the impact of our actions so that we adapt our strategy as circumstances dictate; and to stay agile as we calibrate to ensure maximum impact against the regime's finances.

In the last 9 months, we have targeted dozens of individuals and entities facilitating North Korea's weapons programs, including coal companies, banks, and individuals who help North Korea evade international sanctions. This, along with our other actions and those of our international partners, is intended to have a significant impact on North Korea's ability to continue raising and moving funds.

Actions taken just this past week further illustrate our seriousness of purpose. On September 21, the President announced a new Executive order that provides Treasury with the most robust set of North Korea-related sanctions authorities yet. Executive order 13810 authorizes Treasury to impose a range of sanctions, such as suspending U.S. correspondent account access to, or designating and freezing the assets of, any foreign bank that, going forward, knowingly conducts or facilitates significant transactions tied to trade with North Korea or certain persons blocked in connection with North Korea. We can also freeze assets of anyone conducting significant trade in goods, services, or technology with North Korea and of anyone supporting North Korea's textile, fishing, and manufacturing industries.

We are already using these new authorities to maximize our leverage. Just this week, we took action on a number of North Korean banks and designated 26 financial facilitators acting as representatives for North Korean banks across the globe. These individuals were part of North Korea's ongoing attempts to evade sanctions in order to help the regime raise and move funds. We are calling them out and working tirelessly to put an end to this practice.

We have an incredibly dedicated team at Treasury focused around-the-clock on countering these threats. We will not relent until the danger posed to the United States and our allies by Kim Jong Un's nuclear and ballistic missile programs is eliminated.

**Identifying and Targeting North Korea's Financial Vulnerabilities**

Our strategy is focused on attacking North Korea's key financial vulnerabilities: (i) the regime requires revenue to maintain and expand its nuclear and ballistic missile programs, and (ii) the regime needs to move funds through the international

financial system in order to acquire foreign currency (such as dollars and euros), transfer funds, and pay for goods.

All components of my office are working in concert toward this objective. Underpinning these efforts is our ability to rely on financial intelligence and analysis. Treasury's Office of Intelligence and Analysis (OIA)—a member of the Intelligence Community—provides expert analysis of North Korea's financial networks, identifying key nodes that enable us to take disruptive action and build impactful strategies. The Office of Foreign Assets Control (OFAC)—the beating heart of Treasury's sanctions programs—tirelessly investigates and targets individuals and entities that support North Korea's weapons of mass destruction (WMD) and ballistic missile programs. The Financial Crimes Enforcement Network (FinCEN) exercises its information gathering and analytical tools in novel ways to track the financial flows of North Korean entities and front companies, and has used Section 311 of the USA PATRIOT Act to further restrict North Korea's access to the U.S. financial system. The Office of Terrorist Financing and Financial Crimes (TFFC), our policy coordination office, leads our international engagement efforts to work with partner countries, thereby hardening the defenses worldwide and depriving North Korea of alternative financial avenues.

Our goal is to strategically and tactically choke off North Korea's revenue sources and safeguard the international financial system from North Korea's illicit financial activity.

#### *Targeting North Korea's Sources of Revenue*

Any revenue that North Korea generates can be used to support, directly or indirectly, its weapons development programs. As such, President Trump and Secretary Mnuchin have made clear that all countries must stop trading with North Korea. A key part of our strategy to suffocate North Korea financially is to target the regime's most profitable industries, including coal, exportation of overseas labor, and sale of weapons and other goods.

*Coal (\$1 billion annually):* By our estimates, prior to the latest U.N. Security Council resolutions (UNSCRs), coal exports brought in \$1 billion in revenue annually for the regime. We are constricting this revenue source by targeting North Korean coal networks and the individuals and entities that support them, as well as by working multilaterally so that other countries also sever this economic lifeline.

OFAC designations are a central part of this effort. On August 22, OFAC designated 16 individuals and entities, including three Chinese companies that are among the largest importers of North Korean coal. We estimate that, collectively, these companies were responsible for importing nearly half a billion dollars' worth of North Korean coal between 2013 and 2016. These funds are used to support the Government of North Korea and the Workers' Party of Korea, including its nuclear and ballistic missile programs.

We are also working with the United Nations to dry up North Korea's coal revenues. On August 5, 2017, the U.N. implemented a full coal ban under UNSCR 2371. Of course, the success of this and other UNSCRs depends on effective implementation. We will continue working with the State Department to engage multilaterally and share detailed information to assist other countries in disrupting sanctions evasion and illicit trade.

*Exportation of Overseas Labor (\$500 million a year):* North Korea sends its people to countries across the globe, many of whom work in slave-like conditions, in order to generate revenue for the regime. Countries around the world employ North Korean overseas labor, which entails the exploitation of tens of thousands of individuals. Despite toiling for long hours under squalid conditions, most of their wages are siphoned off directly to the North Korean regime.

This is unacceptable. We must put a stop to this inhumane practice. UNSCR 2375, adopted on September 11, 2017, prevents the regime from generating revenue for its weapons program through the exploitation of its people. We call on all nations to implement their obligations and put an end to this practice. Treasury and the State Department have actively engaged a number of countries where North Korean workers were employed, often by construction and information technology companies, restaurants, textile manufacturers, and companies in other industries. And we have used our authorities to counter this practice.

As an example, on June 1 of this year, we designated three individuals and six entities, including the Korea Computer Center (KCC), a state-run information technology research and development center that was operating in Germany, China, Syria, India, and the Middle East. Using overseas North Korean laborers, KCC was earning foreign currency for North Korea's Munitions Industry Department, which is responsible for overseeing the ballistic missile program. On August 22, 2017, Treasury also designated Mansudae Overseas Projects Architectural and Technical



Services (Proprietary) Limited, which is linked to a U.S. and UN-designated entity that has engaged in, facilitated, or been responsible for the exporting of workers from North Korea.

*Exportation of Additional Goods, Including Weapons and Missile Technologies:* Treasury is also tracking and targeting North Korea's exports of textiles (about \$800 million a year); iron, lead, and seafood (about \$500 million a year); and additional revenue from the sale of weapons and missile technologies, among other areas. On June 29, 2017, Treasury designated Dalian Global Unity Shipping Co. Ltd., which reportedly transports 700,000 tons of freight annually, including coal and steel products, between China and North Korea. According to a 2013 United Nations report, Dalian Global Unity was actively involved in at least eight cases of luxury goods smuggling incidents. Middlemen from Dalian Global Unity gave specific instructions about how shipments and transactions could evade the UN-mandated luxury goods ban.

*Shipping Networks:* Our targeting of Dalian Global Unity also highlights our focus on targeting the shipping networks that enable the Kim regime to move goods in and out of North Korea. These shipping networks engage in deceptive practices and circuitous routes to avoid international sanctions. We are also actively increasing our understanding of North Korea's shipping networks, and we will expose individuals and entities that are providing insurance, maintenance, or other services to North Korean vessels. Our experience mapping and dismantling illicit shipping networks in the Iran context enables us to effectively target commercial shipping moving in and out of North Korea.

New authorities in the recent Executive order highlight the importance of targeting North Korea's shipping networks. The new Executive order directly targets North Korea's shipping and trade networks and issues a 180-day ban on vessels and aircraft that have visited North Korea from visiting the United States. This ban also targets vessels that have engaged in a ship-to-ship transfer with a vessel that has visited North Korea within 180 days. The Executive order also allows Treasury to impose sanctions on persons involved in the ownership, control, or operation of any port in North Korea, including any seaport, airport, or land port of entry.

Countries should aggressively implement UNSCR 2375, which provides member states new tools to stop high seas smuggling of prohibited products (*e.g.*, conventional arms, coal, textiles, seafood, *etc.*).

#### *Restricting North Korea's Access to the International Financial System*

Despite our relentless efforts and many years of U.N. Security Council Resolutions, North Korea continues to evade sanctions and generate and move money in support of its WMD and ballistic missile programs. The regime accesses the international financial system through front companies and other deceptive financial practices in order to buy goods and services abroad. We are working to map out and untangle these complex and opaque financial webs and target those individuals and entities that facilitate them.

*Financial Facilitators:* North Korea maintains representatives abroad who work on behalf of UN- and U.S.-designated North Korean banks and trading companies, helping North Korea conceal their overseas footprint. These operatives have expertise that they use to establish front companies, open bank accounts, and conduct transactions that enable North Korea to move and launder funds. Targeting these financial facilitators strikes at the heart of North Korea's ability to continue abusing the financial system for its illicit aims. That is why earlier this week, Treasury took action on a number of North Korean banks and designated 26 individuals who act as representatives of North Korean banks. These representatives operate around the world, including in China, Libya, Russia, and the United Arab Emirates. We call on all countries that host these representatives to expel these individuals.

*Foreign Banks:* Banks that facilitate North Korean illicit financial activity are another key node that we are focusing on. In my first week on the job, Treasury acted for the first time in over a decade against a non-North Korean bank for facilitating North Korean financial activity through the U.S. financial system. On June 29, 2017, pursuant to Section 311 of the USA PATRIOT Act, FinCEN found China-based Bank of Dandong to be of "primary money laundering concern" and issued a notice of proposed rulemaking, the finalization of which would essentially sever Bank of Dandong's access to the U.S. financial system.

Bank of Dandong is believed to have acted as a financial conduit for North Korea to access the U.S. and international financial systems, including by facilitating millions of dollars of transactions for companies involved in North Korea's WMD and ballistic missile programs. FinCEN assesses that at least 17 percent of Bank of Dandong customer transactions conducted through the bank's U.S. correspondent accounts from May 2012 to May 2015 were conducted by companies that have

transacted with, or on behalf of, U.S.- and UN-sanctioned North Korean entities, including designated North Korean financial institutions and WMD proliferators.

FinCEN also exercised its Section 311 authority in 2016 to identify the entire jurisdiction of North Korea as a primary money laundering concern. Under this authority, FinCEN imposed a rule prohibiting U.S. banks from maintaining correspondent accounts with North Korean banks, and requiring U.S. banks to undertake special due diligence to ensure that North Korean financial institutions do not access the U.S. financial system indirectly through banks in other countries.

Banks worldwide should take note that we are acting to protect the U.S. financial system from North Korean illicit financial activity. The new authorities granted to the Treasury Department by the Executive order issued last week give us even greater ability and leverage to target foreign banks that support the Kim regime. We now have the ability to suspend correspondent account access to, or designate and freeze the assets of, any foreign financial institution that knowingly conducts significant transactions in connection with any trade with North Korea or on behalf of any North Korea-related designated person. These new financial sanctions will be forward looking, and will apply to behavior that occurs following the date of the Executive order. These types of sanctions were used to great effect in the Iran context, and present a stark choice to banks around the world.

*Interagency Collaboration:* At Treasury, we work in close partnership with other departments and agencies, including those within the Intelligence Community, the Defense Department, the Justice Department, the State Department, the Department of Homeland Security, and the Commerce Department. This Administration's maximum pressure campaign requires that we collaborate closely to detect and disrupt evasive tactics by North Korea.

As just one example, Treasury has been working closely with the U.S. Department of Justice (DOJ) to disrupt the ability of a Chinese coal company, Dandong Zhicheng Metallic Co., to launder money for North Korea. The Dandong Zhicheng case perfectly illustrates North Korea's evasive tactics. Dandong Zhicheng imported coal from North Korea, brokered the sale of this coal around the world, and moved the proceeds from these coal sales into its front company accounts. North Korea subsequently sent payment instructions to Dandong Zhicheng for items the regime wanted to purchase from foreign suppliers, and Zhicheng used its front companies and the proceeds from the brokered North Korea coal sales to purchase the items that North Korea wanted. Once the front companies had executed the payments, the foreign suppliers shipped the items to the North Korean regime. These items included bulk commodities (sugar, rubber, petroleum products, soybean oil), cell phones, luxury items, and dual-use technology. By using a front company outside of North Korea to help it to sell and buy goods, the regime was able to make and spend money on goods that indirectly or directly support its weapons programs. As part of our disruptive activities, on August 22, 2017, Treasury designated Dandong Zhicheng, and on the same day, DOJ filed a complaint to seize more than \$4 million related to the company.

*Public-Private Partnerships:* The private sector also plays an essential role in identifying and disrupting illicit North Korean financial activity. The safeguards that our banks put in place, and the information they provide us about terrorist financiers, proliferators, and criminals, is what helps prevent malign actors from abusing our financial system. In this case, information provided by U.S. banks has been critical to our efforts to map out and disrupt the illicit financial networks upon which North Korea relies.

We are enhancing the ways that we communicate with our banks and how they communicate with each other. We are sharing information with U.S. financial institutions in a more targeted manner in order to facilitate a more dynamic and iterative dialogue between the public and private sectors. We also encourage banks to share information with each other under Section 314(b) of the USA PATRIOT Act, which provides banks with safe harbor when sharing certain information. This is particularly important when combating North Korean illicit financial activity, where a single network can cut across multiple institutions.

Two weeks ago, while in Europe, I held roundtable meetings in London, Paris, and Berlin with global banks to discuss the urgent threat posed by North Korea and to share with them typologies that they can use to identify and stop the illicit flow of North Korea's finances. We discussed the aggressive measures that we in the United States have taken to protect our U.S. banks, and what else European banks could be doing to ensure that they are not unwittingly clearing euro transactions for North Korean representatives and their enablers.

### **International Cooperation**

The success of Treasury's strategy to maximize pressure on North Korea also depends on close collaboration with international partners. In the last 2 months, our Administration worked with other Permanent Members of the Security Council to unanimously pass U.N. Security Council Resolutions 2371 and 2375. Both strike at the core of North Korea's revenue generation and include embargoes on all importation of North Korean coal, iron, lead, seafood, and textiles. They also restrict North Korea's ability to acquire revenue from overseas laborers, cut off over 55 percent of refined petroleum products going to North Korea, and ban all joint ventures with North Korea to cut off foreign investments.

But UNSCRs should be the floor, not the ceiling. Despite years of increasingly restrictive UNSCRs, North Korea has been able to generate the revenue it needs to make progress toward the goal of building a nuclear-tipped intercontinental ballistic missile. As both the U.N. and the U.S. sanctions regimes expand, North Korea remains adept at sanctions evasion. All nations must join in implementing and rigorously enforcing U.N. Security Council Resolutions. We are keeping close track of North Korea's trading partners, and we will not hesitate to act when we believe we must take additional measures to stop the flow of funding.

Our strong bilateral and multilateral partnerships are critical in ensuring that this is a global effort. When I was in Europe, I also discussed with our European allies how we can increase our collective pressure so that no person or entity that facilitates North Korean financial activity has a safe place to operate. I stay in close contact with my European counterparts and continue to share information about North Korean illicit finance so that they can identify the activity themselves and take their own disruptive actions.

We are also working closely with partners in Asia. In particular, we appreciate the efforts of Japan and South Korea to match our actions with actions of their own. Following one of our actions this past August, Japan issued its own domestic designations on some of the same persons, and South Korea issued a public advisory cautioning all South Korean nationals from conducting financial transactions with the U.S. designated individuals and entities. These types of joint actions maximize the impact of our collective efforts to pressure North Korea. We are also pleased that, this year, Australia expanded its sanctions programs to target additional sectors of the North Korean economy.

China and Russia are to be recognized for supporting adoption of the most recent U.N. Security Council Resolutions. Nevertheless, both countries can do much more—and with greater urgency—to implement and enforce the sanctions called for by the United Nations. Their enforcement and pressure are critical to stopping the North Korean threat.

Finally, we work through multilateral fora such as the G7 and the Financial Action Task Force to ensure that countries have the regulatory frameworks in place to detect and freeze assets linked to North Korea. Kim Jong Un must realize that he faces a united international front.

### **Partnership With Congress**

I want to emphasize the importance we place on working with Congress to combat the threat posed by North Korea. I am grateful for the Committee's work to counter the threats we face and for your great appreciation of the importance of imposing maximum economic and financial pressure on North Korea. I look forward to working with this Committee and other Members of Congress as we seek to fulfill our shared responsibility to keep Americans safe and secure.

### **Conclusion**

We all recognize that time is not on our side. Treasury is pursuing this pressure campaign against North Korea with utmost urgency. Our success in curtailing North Korea's revenue streams and severing its access to financial systems is essential to a peaceful resolution of this growing crisis. We will not yield until our work is done.

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### **PREPARED STATEMENT OF SUSAN A. THORNTON**

ACTING ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS,  
DEPARTMENT OF STATE

SEPTEMBER 28, 2017

### **Introduction**

Chairman Crapo, Ranking Member Brown, and Members of the Committee:

Thank you for the opportunity to appear before you today for this timely hearing on North Korea. Thank you also for your attention to the North Korea threat and our active policy response to it.

By now, it should come as no surprise that the Administration recognizes North Korea's nuclear and ballistic missile program as the paramount security threat facing the United States today. We have been exceedingly vocal in our efforts to compel the Kim Jong-Un regime to adjust its strategic calculus and cease its belligerent pursuit of nuclear weapons. This is for good reason.

Today, we face a North Korea that has demonstrated an unwavering determination to achieve an Intercontinental Ballistic Missile (ICBM) capable of delivering a nuclear payload to our homeland. Each North Korean missile launch and nuclear test furthers Pyongyang's weapons program. The DPRK's multiple ballistic missile launches this year—including two inaugural ICBM launches—and its sixth nuclear test earlier this month bring the regime closer to its objective. North Korea continues to make incendiary threats against Guam and our treaty allies the Republic of Korea (ROK or South Korea) and Japan. We take those very seriously. Let me emphasize that we continue to stand with our allies, in particular Japan and South Korea, in the face of this escalating threat, and are fully committed to defending Japan and South Korea with the full range of U.S. military capabilities.

It is clear that we cannot allow such flagrant violations of international law and regional order to continue.

Through clear, decisive actions, we must hold Pyongyang to account.

Our maximum pressure campaign does just that. This strategy employs all available levers of economic and diplomatic pressure on North Korea to make the Kim regime's adherence to its current behavior politically painful and financially untenable, in order to compel it to revise its strategic calculus.

As an example, last week's Executive order greatly broadened our authority to target any foreign financial institutions that facilitate significant transactions in connection with North Korean trade. Among other new authorities, this action puts financial institutions on notice going forward that they can choose to do business with the United States, or with North Korea, but not both. We understand that this action has the potential to make countries, including China and Russia, uneasy, but we view it as the only logical step as we increase pressure on North Korea. We call on all countries to join us in cutting all trade and financial ties with North Korea.

### **Our Pressure Campaign**

Our pressure campaign centers around three actions:

(1) Pressing for strong multilateral sanctions at the U.N. in response to North Korea's reckless behavior. Recently, the U.N. Security Council unanimously adopted the toughest two resolutions ever to target the DPRK. UNSCRs 2371 and 2375 have slashed DPRK exports, including full bans on textiles, coal, iron, and seafood. Cumulative U.N. sanctions to date will deny the DPRK \$2.4 billion in annual trade revenue if properly implemented by all Member States.

(2) Galvanizing international action through diplomatic outreach. Secretary Tillerson has made the DPRK a key issue in every engagement with leaders and ministers around the world. That high-level message from the Secretary is aggressively reinforced by our Ambassadors in capitals everywhere and in meetings at every level. In daily diplomatic engagements with partner countries, we press them to cut off the sources of DPRK financial support, interdict WMD and arms-related shipments, and end North Korea's ability to abuse commercial shipping, banking, and other commercial nodes to violate, evade, and undermine our sanctions. We expect all countries, at a minimum, to fully implement UNSCRs, and we press them to take additional actions measures to put diplomatic and economic pressure on Pyongyang.

(3) Maximizing our domestic authorities—including last week's Executive order—to target North Korea's global proliferation and financial networks through actions focused on individuals and entities that support the regime's ability to acquire revenue in support of its unlawful weapons and proliferation programs. In close coordination with our counterparts in Treasury, we have sent a clear message across the globe that we will not hesitate to take action where the evidence shows that individuals and entities are enabling the DPRK's unlawful activities.

Our pressure campaign is aimed at bringing the DPRK back to negotiations on the denuclearization of the DPRK. We also stand ready to respond to any acute threat from the DPRK. We are fully committed to the defense of the United States and our allies, and are ready to respond to any DPRK attack. We have deployed THAAD to the ROK and continue to take other measures to prepare ourselves, South Korea, and Japan to respond to a DPRK attack with force. We are

unequivocal in our messaging to North Korea that any attack on the United States or our allies will be met with an overwhelming response.

Throughout the execution of this strategy, we have been clear about what our strategy is not: We are not seeking regime change or collapse. We do not seek an accelerated reunification of Korea, nor an excuse to garrison troops north of the Armistice Agreement's Military Demarcation Line. We have no desire to inflict harm on the long-suffering North Korean people, whom we view as distinct from the hostile regime in Pyongyang.

We recognize that the success of the pressure strategy will depend on heavy cooperation from international partners, especially Beijing. We are working closely with China to execute this strategy and are clear-eyed in viewing the progress—growing, if uneven—that China has made on this front. We are encouraged by China's agreement to adopt sanctions of unprecedented strength on North Korea at the United Nations. Our task now is focused on ensuring that these internationally binding obligations are implemented in full; and to convince China's leaders to more fully exert its still considerable leverage over the Kim regime.

Secretary Tillerson said it best when he called China's support for the pressure campaign "notable, but uneven," though we have recently seen Chinese authorities take additional actions. We will work with China and Russia on the threat posed by North Korea and will continue to engage in a dialogue on how to further pressure the DPRK. We have also made clear that if China, Russia, and others do not act, we will use the tools we have at our disposal. While our actions are not meant to target countries other than North Korea, we have consistently told our foreign counterparts that we will continue to act multilaterally and unilaterally to disrupt North Korea's illicit activities wherever they are located.

### Signs of Progress

While there is more work to do, we have achieved notable results from our maximum pressure campaign to date:

- The international community was unanimous in condemning recent DPRK provocations. All U.N. Security Council members voted to condemn DPRK actions, and almost all G-20 members publicly condemned the DPRK.
- Since the beginning of the Trump administration, more than 20 countries have acted to restrict DPRK diplomatic activities. Mexico, Peru, Spain, and Kuwait recently announced the expulsion of their resident DPRK Ambassadors.
- Bans on the DPRK's exports of commodities continue to deprive the regime of valuable export revenues previously utilized to support its proscribed weapons program. Most notably, since China's ban of coal imports in February, the DPRK has forfeited over \$690 million in revenue from coal exports at current market prices.
- We have convinced U.N. Security Council members and other countries to take action to end the practice of employing DPRK laborers overseas, which provides a key revenue stream to the government and often involves serious human rights abuses. Countries in the Middle East, Europe, and Southeast Asia halted visa issuances to North Korean laborers and are phasing out the use of these workers, whose wages are garnished to fund the regime and its unlawful nuclear and missile programs.
- The most recent UNSCR bans the issuance of new work visas to DPRK laborers; several countries, including Kuwait, Qatar, Malaysia, and Malta, took action recently to end the practice. Poland is the only EU country still hosting significant numbers of DPRK laborers. The vast majority of DPRK laborers remaining outside of North Korea are in either China or Russia.
- Other countries have recognized that U.N. sanctions are not enough and have adopted additional autonomous measures—including the European Union, Australia, ROK, Japan, and Latvia. Pakistan issued an official government notice prohibiting its companies from engaging with U.S. sanctioned persons. Other countries, such as the ROK, Australia, and Japan, have implemented their own unilateral sanctions on individuals and entities violating U.N. sanctions.
- Key European partners, particularly the United Kingdom, France, and Germany, are collaborating with us on maximizing pressure on the DPRK.
- We have seen countries expel sanctioned North Korean officials and North Korean diplomats engaged in illicit commercial or arms-related activities, and many countries have adopted measures to prevent certain North Korean individuals from entering or transiting their jurisdictions. State has also engaged in a sustained effort to shut down illicit DPRK shipping activities, which the

Kim regime could use to move illicit cargoes or procure items for its prohibited nuclear and missile programs.

- Across the globe, countries are beginning to view visiting North Korean official delegations with caution, recognizing that welcoming these delegations not only lends tacit support to North Korea's nuclear and ballistic missiles programs, but comes at a cost to their international reputation and relations with the United States and others.

### **Next Steps**

Unfortunately, despite the international community coming together to pressure the DPRK, we have yet to see a notable change in DPRK's dangerous behavior, or any signs that it is willing or interested in serious talks on denuclearization at this stage. That simply means we must increase the pressure and isolation. If the DPRK indicates an interest in serious engagement, and ends its missile and nuclear tests, we will explore that option, but we will do so with a clear view about the DPRK's track record of violating the spirit and the letter of negotiated agreements and commitments.

We are sincere in our intent to assist the DPRK government in achieving peace, prosperity, and international acceptance. However, absent a tangible change of intent from Pyongyang, we will continue our full-court press approach to diplomatically and financially isolate the DPRK.

We will continue to make clear to Pyongyang that a better alternative to belligerence, poverty and isolation exists, but that the regime will need to make that choice. We will continue to urge countries around the world to take actions to underscore to the DPRK that its behavior is intolerable, and we will continue to build pressure.

We appreciate the strong interest in this issue from Congress, and we look forward to continuing our cooperation. Thank you for inviting me to testify today. I am pleased to answer any questions you may have.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR MENENDEZ  
FROM SIGAL MANDELKER**

**Q.1.** In your testimony you note the United States invoked Section 311 on the Bank of Dandong. Can you discuss the effectiveness of sanctions—a different tool than the PATRIOT Act—that target specific Chinese banks and companies? In what ways can the United States employ more concerted pressure? Are you considering sanctioning other Chinese banks that provide a lifeline to the North Korean regime?

**A.1.** Treasury is deploying a maximum financial pressure campaign on North Korea. On September 21, the President announced new Executive Order (E.O.) 13810, which allows Treasury's Office of Foreign Assets Control (OFAC) to target, among others, any foreign financial institution that knowingly conducts or facilitates significant transactions tied to trade with North Korea or certain designated persons. Foreign financial institutions are now on notice that, going forward, they can do business with the United States or with North Korea, but not both. Through our bilateral engagements we know from governments and financial institutions that Treasury's new authorities are having an impact. They recognize the power of Treasury's tools and have received a clear message that we stand ready to aggressively enforce these authorities. In addition, E.O. 13810 allows OFAC to sanction a broad new range of actors, such as persons who engage in significant trade in goods, services, or technology with North Korea. Treasury used E.O. 13810 on September 26 when OFAC designated eight North Korean banks and 26 individuals linked to North Korean financial networks.

In addition to clearly signaling that we will aggressively enforce these authorities, these actions will further constrain North Korea's ability to access the international financial system. For example, two of the China-based persons who were designated were operatives for Office 39, a secretive branch of the North Korean government that manages slush funds and raises revenue for North Korea's leadership. Likewise, a Dubai-based representative who was designated was responsible for collecting funds from North Korean workers and hand carrying the funds back to Pyongyang. Treasury's steps to expose these financial practices and individuals are vital to robbing North Korea of the few individuals it trusts to operate outside of North Korea. We will continue to use our authorities to disrupt these activities.

**Q.2.** Despite prohibitions, we know that North Korea actively exports weapons to a variety of actors throughout the world. These sales in turn contribute to North Korea's ability to access foreign capital. How can the international community do a better job of tracking these weapons' sales?

**A.2.** I would refer your question about the tracking of weapons to the Intelligence Community.

Regarding North Korea's ability to access foreign capital from such sales, we are monitoring North Korea's activities and will continue to take action to implement our powerful economic authorities. For example, on March 31, Treasury designated three overseas North Koreans who were involved in North Korea's military-related sales. Two were based in China and one was operating in China.

More broadly, Treasury has focused on cutting North Korea off from the revenue it needs to maintain and expand its WMD and ballistic missile programs. North Korea raises money not just from exporting weapons but also from exporting missile technology, coal, iron and iron ore, overseas labor, seafood, and even bronze statues. Treasury is working to target all sources of revenue, anywhere North Korea earns money.

In the last 9 months, we have targeted dozens of individuals and entities involved in raising funds for North Korea. For example:

- On June 1, Treasury designated the Korea Computer Center, a state-run IT research and development center that was operating in Germany, China, Syria, India, and the Middle East. Using overseas North Korean laborers, KCC earned foreign currency for North Korea's U.S.- and UN-designated Munitions Industry Department, which is responsible for overseeing North Korea's ballistic missiles.
- On August 22, Treasury designated three Chinese coal companies collectively responsible for importing nearly half a billion dollars' worth of North Korean coal between 2013 and 2016. North Korea used these funds to support the Government of North Korea, the Workers' Party of Korea, and the revenue may also have benefited North Korea's nuclear or ballistic missile program.

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**RESPONSE TO WRITTEN QUESTIONS OF SENATOR MENENDEZ  
FROM SUSAN A. THORNTON**

**Q.1.** One major concern on a global level is North Korea's sharing and transferring of nuclear technology. North Korea has successfully subverted sanctions and export and import controls, often through falsely flagging cargo ships: What steps has the international community taken since March to more rigorously monitor and control North Korean shipping vessels? What steps can be taken to ensure that all countries are complying with stricter controls the U.N. Security council passed in March? Where are the weakest links in the system?

**A.1.** In August and September 2017, the U.N. Security Council adopted two new resolutions imposing the strongest sanctions on North Korea to date. In terms of provisions specific to shipping, resolution 2371 (adopted 5 August 2017) authorizes the UN's 1718 Committee to designate for a port ban vessels that have been involved in activities prohibited by the U.N. Security Council resolutions (UNSCRs) on the DPRK. A list of ships for inclusion in such a port ban is under consideration at the United Nations, and we



continue to engage with the U.N. on designating additional ships. The resolution also clarifies measures set forth in last year's resolution 2270 that require U.N. Member States to prohibit any entities or persons subject to their jurisdiction from owning, leasing, operating, or chartering any DPRK-flagged vessel. Previous resolutions also require Member States to prohibit any entities or persons subject to their jurisdiction from providing any sort of classification, certification, or insurance service to such vessels, and obligate Member States to de-register any vessel owned, operated, or controlled by the DPRK—and also prohibit another Member State re-registering such a vessel.

Resolution 2375 (adopted 11 September 2017) includes maritime interdiction measures that call on all Member States to inspect vessels on the high seas, with the consent of the flag state, when a Member State has information that provides reasonable grounds to believe that a vessel contains prohibited cargo; if the flag state does not consent, the Member State shall direct the vessel to a suitable port for inspection. In addition, the resolution calls on Member States to cooperate with such inspections. If such vessels and their respective flag states fail to cooperate, the 1718 Committee is directed to consider designating the vessels making them subject to various measures, including a port ban and asset freeze. Resolution 2375 further requires Member States to prohibit anyone subject to their jurisdiction from facilitating or engaging in ship-to-ship transfers that involve DPRK-flagged vessels.

Over the past year, the Department of State, with strong inter-agency support, has conducted multiple rounds of engagement with many countries seeking to provide any sort of service to, or to be the jurisdiction of record for a company owning, a DPRK-associated vessel. This outreach has included engagement with ship owners, flag registries, and providers of insurance and classification services. The Department has also increased similar pressure on any countries with jurisdiction over ships visiting the DPRK or engaging in any UN-prohibited export of DPRK-origin materials such as coal. The DPRK has developed a variety of deceptive practices to evade this pressure, and we continue to work bilaterally with key countries on the receiving end of these practices. We have prioritized engagement with the likely and historical port states that receive DPRK-associated ships to make sure they are aware of their U.N. obligations as well as the deceptions that the DPRK is employing. We have provided these countries with a list of approximately 250 DPRK-flagged and DPRK-owned vessels and have recommended that they add these vessels to their watch lists for denial of port entry. We consistently stress during our bilateral security dialogues with partners the necessity of fully implementing the tough measures directed in the relevant U.N. resolutions, and we believe that many are realizing the seriousness of the issue and taking action. When we have information on specific shipments or ship-to-ship transfers taking place, we notify countries involved as soon as possible to ensure they terminate any association with the activity. Our engagement is paying off. For instance, we have seen several countries publicly announce investigations and the de-registration of DPRK-associated vessels, while other countries have taken such actions privately.

**Q.2.** Despite prohibitions, we know that North Korea actively exports weapons to a variety of actors throughout the world. These sales in turn contribute to North Korea's ability to access foreign capital: How [can] the international community do a better job of tracking these weapons' sales?

**A.2.** Disrupting North Korea's arms sales and depriving Pyongyang of the revenue generated from these exports is an important component of the President's maximum pressure campaign. The Department of State, in coordination with other U.S. Government departments and agencies, as well as our international allies and partners, is working aggressively to detect and interdict or disrupt suspected North Korea's arms transfers and to sever the underlying political and commercial relationships from which they result.

The best way to improve the tracking and interdiction of DPRK arms transfers is for all states to strengthen implementation of relevant United Nations Security Council resolutions (UNSCRs). Multiple UNSCRs prohibit Member States from importing any North Korean arms or related materiel or contracting with North Korea for any support, assistance, refurbishing, manufacturing, or services related to arms or related materiel. In addition to the specific restrictions on arms cooperation, the Security Council has also designated over 100 individuals and entities, including many involved in North Korea's arms export enterprise. States have a binding legal obligation to robustly implement these sanctions by freezing the assets and stopping the activities of these entities and individuals, as well as those acting for or on their behalf, in their jurisdictions.

To assist states in these efforts, the U.N. Security Council established the Panel of Experts (POE), pursuant to resolution 1874. The POE is charged with monitoring UNSCR implementation and investigating violations, as well as scrutinizing and publicizing North Korea's arms transfers and client base. While the DPRK has long engaged in deceptive practices to hide its illicit WMD and conventional arms proliferation and related revenue-generating activities, POE investigations, supported by U.N. Member States, expose violations and support implementation by highlighting how North Korea's arms brokers are adapting to sanctions and holding North Korea's arms clients accountable for violating the resolutions. The United States strongly supports the efforts of the POE in this regard and urges all other states to cooperate with its efforts.

We are available to provide additional details on our efforts to disrupt North Korea's arms exports in a classified setting.

**Q.3.** We've seen some mixed messaging from the Administration on the role of the United Nations in countering North Korean aggression:

Is China a partner in developing and more importantly implementing U.N. Security Council resolutions that aim to curb North Korea's malign activities? Where are the United States' best leverage points in the United Nations to counter North Korean aggression? Outside the United Nations, what other international or multilateral fora could we use to best counter North Korean aggression?

**A.3.** The U.N. Security Council continues to play a central role in reinforcing the strategy of maximum pressure that we have sought to bring to bear in countering the Democratic People's Republic of Korea's (DPRK) continued development of its unlawful nuclear and ballistic missile programs. The success of this strategy will heavily depend on cooperation from key international partners, especially Beijing. We are working closely with China to implement this strategy and are clear-eyed in viewing the progress—growing, if uneven—that China has made on this front. Overall, we have been encouraged in recent months by China's agreement to support two new sanctions resolutions of unprecedented strength on North Korea at the United Nations.

Since China's ban of coal imports in February, the DPRK has forfeited over an estimated \$805 million in revenue from coal exports at current market prices. On August 14, the Chinese government issued a notice announcing a comprehensive ban on the import of coal, iron, iron ore, lead, and lead ore from DPRK effective August 15 in compliance with UNSCR 2371, as well as on the export of petroleum following the adoption of UNSCR 2375. Regional Chinese authorities have also tightened restrictions on the import of seafood coming from the DPRK after the adoption of UNSCR 2371.

We will continue to work with China on the threat posed by the DPRK and will continue to engage in a dialogue on how to further apply pressure. Our task now is focused on ensuring that internationally binding obligations are implemented in full, and on convincing China to take additional action to exert its unique leverage to compel Pyongyang to return to negotiations. We have also made clear that if China, Russia, and others do not act, we will use the tools we have at our disposal, and that all options are on the table. While our actions are not meant to target countries other than the DPRK, we have consistently told our foreign counterparts that we will continue to act multilaterally and unilaterally to disrupt the DPRK's illicit activities wherever they are located.

We have stressed to our international partners that U.N. sanctions resolutions should be the floor, rather than the ceiling, of the actions countries should take in order to affect change in the DPRK, and our pressure strategy continues. The results have been promising. Since the beginning of the Administration, more than 20 countries have acted to restrict DPRK diplomatic activities. Several other countries have adopted autonomous sanctions measures against the DPRK, including the European Union, Australia, ROK, Japan, Latvia, and Singapore. Pakistan issued an official government notice prohibiting its companies from engaging with individuals sanctioned under U.S. domestic authorities. The United States has also engaged in a sustained effort to shut down illicit DPRK shipping activities, which the Kim regime could use to move illicit cargoes or procure items for its prohibited nuclear and ballistic missile programs. We facilitated public identification by the 1718 Committee of four vessels for a port entry ban due to the vessels' involvement in activities prohibited under the resolutions, and continue our efforts to see that any other vessel involved in such activities is similarly listed.

Diplomatically, we have seen increasing numbers of countries expel sanctioned North Korean officials and North Korean

diplomats engaged in illicit commercial or arms-related activities, and many countries have adopted measures to prevent certain North Korean individuals from entering or transiting their jurisdictions. Across the globe, countries are beginning to view visiting North Korean official delegations with caution, recognizing that welcoming these delegations not only lends tacit support to North Korea's nuclear and ballistic missiles programs, but comes at a cost to their international reputation and relations with the United States and others. We will continue to raise the need to counter the threat from the DPRK's weapons of mass destruction and delivery programs across all appropriate international and multilateral fora as part of the Administration's maximum pressure strategy.

Form of Support	Country	Rank
Retaining Angolan naval vessels, training Angolan presidential guard, and providing arms & related materials.	Angola & DPRK	11
Supplying firearms, surface-to-air missiles, and man-portable air-defense systems.	Mozambique & Tanzania & DPRK	12
Supplying firearms, surface-to-air missiles, and man-portable air-defense systems.	Sri Lanka	13
Supplying civilian, all-wheel drive trucks.	China	14
Improper use of DPRK flag.	DPRK	18
Financial services, specifically manipulation and control of foreign banks.	DPRK & DPRK	20
Financial services, false for-foreign bank accounts.	DPRK	21
Financial services, false for-foreign bank accounts.	DPRK	21
Financial services, false for-foreign bank accounts.	DPRK	21
Export/Import of arms and related material.	Malaysia & DPRK	21
Financial services & import/export of related materials.	DPRK	21
Financial services.	China	22
Export/Import of arms and related material.	China	22
Financial services.	China	22
Financial services.	China	22
Financial services.	China	22
Financial services.	China	22
Financial services.	China	22
Selling fuel oil to the DPRK.	China	22
Financial services.	China	22
Financial services.	China & Namibia	22
Import/Export of DPRK coal.	Namibia	22
Operating on DPRK embassy property.	Germany	23
Financial services.	Germany	23
Financial services.	DPRK	24
Financial services.	DPRK	24
Financial services.	China	24
Financial services.	China	24
Financial services.	DPRK	25
Importer/Export of goods & financial services.	DPRK	28
Financial services.	China	35
Financial services, Import-export of goods, and false documents.	China	35
Import/Export of arms and related material.	China	47
Exporting civilian trucks used for military purposes.	U.S.A.	52
Dandong Credit Bank affiliate.	China	72
Dandong Credit Bank affiliate.	China	72
Dandong Credit Bank affiliate.	China	72
Dandong Credit Bank affiliate/owner.	China	76
Import/Export of Chemical supplies.	DPRK	81
Import/Export of Chemical supplies.	China	81
Financial services & Import/Export of materials and chemical substances, including coal & anthracite.	Malaysia	93
Import/Export of raw materials.	Malaysia	105